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GENERAL

1. Polish-Yugoslav commercial treaty renewal planned--

CIA-CONF.

According to US Embassy Warsaw, a British Embassy official has learned that the Polish government intends to send a trade delegation to Belgrade in November for the purpose of negotiating an extension of the present Polish-Yugoslav trade agreement. US and British Em-
 [] officials in Warsaw believe that such a move would be highly significant because such negotiations could only occur with Kremlin approval.

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(CIA Comment: CIA believes that the Kremlin is permitting some Satellite trade with Yugoslavia to continue in order to forestall an increase of Yugoslav commercial ties with the West and to retain an economic hold on Yugoslavia.)

FAR EAST

2. CHINA: Possible cancellation of ECA aid to North China--

CIA-CONF.

US Consul General Smyth in Tientsin warns that the cancellation of present ECA plans for aid to North China would be considered in that area as a definite breach of faith by the US. Smyth believes that such cancellation might have serious political repercussions in China, adversely affect US interests, and make the position of Americans in North China difficult.

(CIA Comment: Although the current military situation in North China is so unfavorable for the Nationalists that ECA plans for that area probably cannot be successfully implemented, CIA believes that any public announcement of the cancellation of ECA plans would seriously undermine Nationalist morale in North China. Such an announcement would cause the people of North China, who already regard themselves as deserted by their own Government, to feel that they had little alternative but to accommodate themselves to the Communists.)

Document No. 011

NO CHANGE in Class. ☐☒ DECLASSIFIED

Class. CHANGED BY: TS S C

Auth: [] 77

Date: 15 MAR 1978 028

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